

## Fiscal Estimate - 2009 Session

☒ Original
 ☐ Updated
 ☐ Corrected
 ☐ Supplemental

<b>LRB Number</b> <b>09-3875/1</b>	<b>Introduction Number</b> <b>SB-408</b>	
<b>Description</b> The exception to the assessment of withdrawal taxes and fees against a landowner who transfers ownership of managed forest land for siting a public safety communications tower		
<b>Fiscal Effect</b>  <b>State:</b> <div style="display: flex; flex-wrap: wrap;"> <div style="width: 33%;"> <input type="checkbox"/> No State Fiscal Effect  <input type="checkbox"/> Indeterminate                      <input type="checkbox"/> Increase Existing Appropriations                      <input type="checkbox"/> Decrease Existing Appropriations                      <input type="checkbox"/> Create New Appropriations                 </div> <div style="width: 33%;"> <input type="checkbox"/> Increase Existing Revenues  <input checked="" type="checkbox"/> Decrease Existing Revenues                 </div> <div style="width: 33%;"> <input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget                      <input type="checkbox"/> Yes                      <input type="checkbox"/> No  <input type="checkbox"/> Decrease Costs                 </div> </div> <b>Local:</b> <div style="display: flex; flex-wrap: wrap;"> <div style="width: 33%;"> <input type="checkbox"/> No Local Government Costs  <input type="checkbox"/> Indeterminate                      1. <input type="checkbox"/> Increase Costs                      3. <input type="checkbox"/> Increase Revenue                      <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory                      <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory                      2. <input type="checkbox"/> Decrease Costs                      4. <input checked="" type="checkbox"/> Decrease Revenue                      <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory                      <input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory                 </div> <div style="width: 33%;"> <b>5. Types of Local Government Units Affected</b>  <input checked="" type="checkbox"/> Towns    <input checked="" type="checkbox"/> Village    <input checked="" type="checkbox"/> Cities  <input checked="" type="checkbox"/> Counties    <input type="checkbox"/> Others  <input type="checkbox"/> School Districts    <input type="checkbox"/> WTCS Districts                 </div> </div>		
<b>Fund Sources Affected</b> <b>Affected Ch. 20 Appropriations</b> <input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input checked="" type="checkbox"/> SEG <input type="checkbox"/> SEGS		
<b>Agency/Prepared By</b> DNR/ Joe Polasek (608) 266-2794	<b>Authorized Signature</b> Joe Polasek (608) 266-2794	<b>Date</b> 11/30/2009

## Fiscal Estimate Narratives

DNR 11/30/2009

LRB Number	09-3875/1	Introduction Number	SB-408	Estimate Type	Original
<b>Description</b> The exception to the assessment of withdrawal taxes and fees against a landowner who transfers ownership of managed forest land for siting a public safety communications tower					

### Assumptions Used in Arriving at Fiscal Estimate

#### SUMMARY OF BILL

The bill provides an exemption from withdrawal taxes and a withdrawal fee if land designated as Managed Forest Land (MFL) is sold to a governmental unit for the purpose of building a public safety communications tower. This bill would also allow remaining acreage in a legal description to continue MFL designation as long as it meets eligibility requirements.

#### FISCAL IMPACT

The state and local fiscal impact are based on the assumption that 5 acres are needed for each public safety communications tower and that one withdrawal for a public safety communications tower would be done annually. This 5 acre withdrawal acreage is based on the size of recent certified survey maps from counties that have acquired lands through fee simple or easement to accommodate communication towers. These 5 acres would be withdrawn from the MFL program and be exempt from payment of a withdrawal tax and fee.

#### State Fiscal Impact

Assuming there is one public safety communications tower withdrawal each year, state withdrawal fee revenue would decrease \$300 (1 withdrawal fee = \$300).

The state will realize a fiscal benefit to closed acreage fees as a result of SB 408. Under current law, all lands within a legal description must be removed from the MFL program if any part of that legal description is removed from MFL designation. If an entire 40 acre description is removed from the MFL program the state would realize a loss of \$36/year for land entered before 2005 (closed acreage fees are \$ 0.90 per acre) and \$266.80/year for land entered after 2004 (closed acreage fees are \$ 6.67 per acre).

By comparison, with SB 408 lands that would have been previously removed from MFL designation would now be allowed to remain. The state would continue to collect the closed acreage fee for the remaining MFL if the lands meet eligibility requirements (e.g. 80% productive). Assuming that 5 acres of a 40 acre legal description are removed from the MFL program as a result of SB 408, the remaining 35 acres would be allowed to remain in the MFL program. Closed acreage fees on the 35 acres would total \$31.50/year for lands entered before 2005 and \$233.45/year for lands entered after 2004.

Instead of losing \$36/year or \$266.80 per year, the state would lose \$4.50/year or \$33.35/year, depending upon the year of entry.

#### Local Government Impact

In calendar year 2008, there were a total of 13,626 acres withdrawn from the MFL program with a total withdrawal tax of \$3,018,604. The average withdrawal tax per acre is \$222 (\$3,018,604 divide by 13,626 acres = \$222/acre). Under current law, if 5 acres of land are withdrawn from MFL, the entire legal description (40 acres) would be withdrawn, resulting in \$8,880 in withdrawal tax revenue (\$222/acre x40 acres = \$8,880).

By comparison, the language in SB 408 specifies that local municipalities will not receive any withdrawal tax for land on which public safety communications towers are located since the 5 acres designated for the a tower would be exempt from the tax and the other 35 acres would remain in the MFL program and would thus not be subject to the tax. Therefore, the bill results in an \$8,880 reduction in withdrawal tax revenue for local governments.

Withdrawal taxes that are collected by the Department are returned to the local municipality. Each municipality keeps 80% of the withdrawal tax and remits 20% of the withdrawal tax to the county. Therefore, local townships, villages and cities would lose \$7,104 annually (40 acres x \$222/acre x 80% = \$7,104), while counties would lose \$1,776 annually (40 acres x \$222/acre x 20% = \$1,776).

Lands that are withdrawn from MFL as a result of SB 408 will be placed on the regular property tax rolls.

### **Long-Range Fiscal Implications**

None

## Fiscal Estimate Worksheet - 2009 Session

Detailed Estimate of Annual Fiscal Effect

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<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>  		
<b>II. Annualized Costs:</b>	<b>Annualized Fiscal Impact on funds from:</b>	
	Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>		
State Operations - Salaries and Fringes	\$	\$
(FTE Position Changes)		
State Operations - Other Costs		
Local Assistance		
Aids to Individuals or Organizations		
<b>TOTAL State Costs by Category</b>	<b>\$</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>		
GPR		
FED		
PRO/PRS		
SEG/SEG-S		
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		-300
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$-300</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>		
	State	Local
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$-300	-\$8,880
<b>Agency/Prepared By</b>		
<b>Authorized Signature</b>		<b>Date</b>
DNR/ Joe Polasek (608) 266-2794		11/30/2009

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<b>Agency/Prepared By</b>  DOR/ Daniel Huegel (608) 266-5705	<b>Authorized Signature</b>  Paul Ziegler (608) 266-5773	<b>Date</b>  11/23/2009

## Fiscal Estimate Narratives

DOR 11/23/2009

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### Assumptions Used in Arriving at Fiscal Estimate

#### CURRENT LAW

Under the Managed Forest Law (MFL), an owner of ten or more contiguous acres of forest land can petition the Department of Natural Resources (DNR) to enter the land under the program. If the DNR determines that at least 80% of the parcel can produce at least 20 cubic feet of sellable timber per acre per year and that the land is not developed in a way incompatible with practicing forestry, the DNR issues an order to enroll the land. The owner can choose to enroll the land for a 25 or 50 year period. The owner also agrees to follow a forest management plan and, with limited exceptions, to open the land to public access.

Land enrolled under the MFL is exempt from property taxes. In lieu of property taxes, landowners are required to make certain payment on their MFL lands. Among these payments are an annual "acreage share" payment and, when timber is harvested, a yield tax of 5% of the value of harvested timber. There are also two payments related to withdrawing land from the MFL program, as described below.

A withdrawal fee of \$300 is imposed on the MFL landowner for all withdrawals from the MFL program that occur before the expiration of the MFL order. All fee payments are retained by the DNR and deposited in the Conservation Fund.

A withdrawal tax is also imposed on the MFL landowner for most withdrawals from the MFL program. On an initial order (for land not impacted by a renewed MFL order), the withdrawal tax equals the greater of (a) a property tax equivalent payment, equal to the product of the net assessed value tax rate in the year before withdrawal times the assessed value of the land in that year times the number of years the land was under an MFL, minus any acreage share and yield taxes paid, and (b) a yield tax equivalent payment, equal to 5% of the value of the merchantable timber on the land. On a renewed order, the withdrawal tax is based on a similar calculation except that the calculation under (a) only applies to the period of the renewed order. The DNR remits 100% of any withdrawal taxes to the municipality where the land is located. The municipality keeps 80% of the payment and remits 20% to the county.

There are two situations for which the withdrawal fee and withdrawal tax are not imposed: (1) The sale of MFL land for a public road, railroad, or utility right-of-way. (2) The sale of MFL land to the federal government, the state, or a local governmental unit for a park, recreational trail, wildlife or fish habitat area, or a public forest.

#### PROPOSED LAW

The proposal adds a third exemption from the withdrawal fee and withdrawal tax. Specifically, the bill exempts the sale of MFL land to a municipality (town, village, or city) or county for the siting of a public safety communications tower from the withdrawal tax and withdrawal fee. The exemption would apply to all such transfers on or after September 22, 2009.

The MFL program is administered by the DNR, which bills landowners for the withdrawal fee and withdrawal tax when land is withdrawn from the program. The role of the Department of Revenue (DOR) with regard to MFL withdrawals is to assist the DNR in the calculation of the property tax equivalent part of the withdrawal tax.

Based on data from the DNR for 2008, about 13,626 acres were withdrawn from the MFL program during the year, and about \$3.018 million in MFL withdrawal taxes were paid to municipalities, indicating that the average withdrawal tax was about \$222 per acre. Thus, for transfers of MFL land to a municipality or a county for the siting of a public safety communications tower, a reduction in withdrawal fees of \$300 per withdrawal and a reduction in withdrawal taxes of \$222 per withdrawn acre may appear reasonable.

However, the actual per acre reduction in withdrawal taxes will depend on the assessed value of the land, the tax rate in the municipality where the land is located, the number of years it has been enrolled under the MFL program, and the value of the timber on the affected land. The actual per acre reduction in the withdrawal tax could therefore be far higher or lower than the average.

The DOR does not have information to reasonably estimate the number of acres needed for a public safety communications tower, the number of MFL transfers for such towers that could occur, or the number of MFL acres that would be affected by the bill. As a result, it is not possible for DOR to reasonably estimate the amount by which withdrawal fees paid into the conservation fund or withdrawal taxes paid to local governments will decrease as a result of the bill.

DOR administrative costs can be absorbed within existing budgetary authority.

### **Long-Range Fiscal Implications**

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<b>NET ANNUALIZED FISCAL IMPACT</b>			
	State	Local	
NET CHANGE IN COSTS	\$	\$	
NET CHANGE IN REVENUE	\$	\$see text	
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
DOR/ Daniel Huegel (608) 266-5705		Paul Ziegler (608) 266-5773	11/23/2009